

DEPT. OF INSURANCE
BY CL

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

Docket No. 01A-161-INS

CONSENT ORDER

Respondent.

Federal wishes to resolve this matter without formal proceedings, admit that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

2. The Examiners were authorized by the Director to conduct a market conduct examination of Federal. The on-site examination covered the time period from July 1, 1995 to June 30, 1998, and was concluded on November 18, 1998. Based on their findings the examiners prepared the "Report of Examination of the Market Conduct Affairs of Federal Insurance Company" dated November 18, 1998.

1 3. The Department previously conducted a market conduct examination of
2 Federal. The on-site examination was concluded as of March 22, 1992. As a result, a
3 Consent Order (the "1992 Consent Order"), was filed by the Director on August 21,
4 1992, Docket No. 7821. The 1992 Consent Order stated in part as follows:

5 Respondents shall cease and desist in the future from failing to return unearned
6 premium when canceling non-financed personal automobile policies; from
7 canceling personal automobile policies without providing notice of the insureds'
8 right to complain to the Director; from charging premiums other than those filed
9 with the ADOL; from canceling homeowner policies for reasons other than those
10 permitted by A.R.S. § 20-1652; from nonrenewing homeowner policies without
11 notifying insureds at least 30 days in advance of the effective date of the non-
12 renewal; from failing to apply credits and debits in a manner consistent with its
13 filed rates and rules; from failing to document the basis of credits and debits
14 applied to commercial package policy rates; from failing to document
15 automobile ACV calculations and deductions therefrom; from failing to pay the
16 full amount of applicable taxes and license fees due to first party total loss
17 claimants; from failing to pay claims within thirty (30) days after the receipt of
18 acceptable proofs of loss.

19 4. Federal is a member of the National Council on Compensation Insurance
20 ("NCCI"), a workers' compensation rating organization licensed by the Department to
21 file rates and forms on behalf of its members.

22 5. The Examiners reviewed 53 workers' compensation policies issued by
23 the Company during the time frame of the examination and found as follows:

24 a. Federal failed to issue two policies within 90 days of the policy
25 effective dates.

 b. Federal failed to consider 13 policies meeting the eligibility
requirements for application of schedule rating as required by the NCCI Schedule
Rating Plan.

 c. Federal failed to include documentation for the application of
schedule rating in the premium determination of seven policies.

1 d. Federal failed to include adequate documentation for the
2 application of schedule rating in the premium determination of 13 policies.

3 e. Federal failed to send copies of the schedule rating worksheets for
4 13 policies to NCCI.

5 f. Federal failed to complete a loss control survey within 90 days of
6 the policy effective date in the issuance of six policies.

7 g. Federal failed to include documentation of the NCCI experience
8 modification factor applied in the premium determination of five policies.

9 h. Federal failed to apply the increased limit factors as filed by NCCI
10 for Arizona in the premium determination of 38 policies.

11 i. Federal failed to include signed "Employee's Notices To Reject
12 Terms of the Arizona Workers Compensation Law" on three policies that excluded
13 coverage for these employees.

14 j. Federal failed to send a Notice of Arizona Workers Compensation
15 to the Industrial Commission of Arizona for the issuance, cancellation or nonrenewal of
16 11 policies.

17 k. Federal failed to countersign or include a countersignature
18 endorsement signed by a licensed Arizona agent in the issuance of six policies.

19 l. Federal failed to provide written notice to eight policyholders
20 advising them that the application of schedule rating was contingent upon the
21 completion of a loss control survey.

22 6. Federal is a member of the Insurance Services Office ("ISO"), a property
23 and casualty rating organization duly licensed by the Department to file rates and
24 forms on behalf of its members. Federal has also independently filed certain rates and
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1 forms. Rates, rules and forms filed by Federal or on its behalf are included in this
2 Order's reference to the Respondent's "filed rates and rules."

3 7. The Examiners reviewed 51 commercial automobile policies issued by
4 the Company during the time frame of the examination and found as follows:

5 a. Federal failed to include documentation for the application of
6 schedule rating in the premium determination of eight policies.

7 b. Federal failed to provide experience rating worksheets or loss
8 reports for the premium determination of five policies.

9 c. Federal failed to apply experience rating in the premium
10 determination of 14 policies meeting the eligibility requirements for experience rating.

11 d. Federal applied an incorrect antique auto factor in the premium
12 determination for liability coverage on four policies.

13 e. Federal applied a rating formula that was not consistent with its
14 filing in the premium determination of 23 policies.

15 f. Federal failed to apply its filed rates in the premium determination
16 of physical damage coverage for Hired Auto of 22 policies.

17 g. Federal applied an unfiled 10% debit factor in determining the
18 premium for medical payments coverage of 15 policies.

19 h. Federal failed to apply the auto fleet factors as filed by ISO for
20 Arizona in the determination of premium for liability, comprehensive and collision
21 coverage of 12 policies.

22 i. Federal failed to provide rating worksheets for the premium
23 determination of eight policies.

24 j. Federal failed to countersign or include a countersignature
25 endorsement signed by a licensed Arizona agent in the issuance of 33 policies.

1 k. Federal failed to obtain a signed Uninsured and Underinsured
2 Motorist Coverage Selection Form on 31 policies.

3 8. The Examines reviewed 51 commercial liability policies issued by the
4 Company during the time frame of the examination and found as follows:

5 a. Federal failed to send a 60-day notice of premium increase or
6 policy change to the insureds prior to the expiration of seven policies.

7 b. Federal failed to countersign or include a countersignature
8 endorsement signed by a licensed Arizona agent in the issuance of 17 policies.

9 c. Federal failed to provide rating worksheet for the premium
10 determination for eight policies.

11 d. Federal applied unfiled rates for fiduciary coverage in the issuance
12 of three policies.

13 e. Federal applied incorrect rates and/or incorrect factors in the
14 premium determination of 22 policies.

15 f. Federal applied unfiled rates in the premium determination of 16
16 policies.

17 g. Federal applied unfiled rates in the premium determination of
18 three policies.

19 9. The Examiners reviewed 51 commercial package policies issued by the
20 Company during the time frame of the examination and found as follows:

21 a. Federal failed to include documentation for the determination of an
22 Individual Risk Premium Modification or a Schedule Rating Plan modification applied in
23 the premium of five policies.

24 b. Federal failed to issue a 60-day notice of premium increase before
25 the policy expiration date of six policies.

1 c. Federal applied unfiled "A" rates in determining the premium of ten
2 policies.

3 d. Federal failed to countersign or include a countersignature
4 endorsement signed by a licensed Arizona agent on 28 policies.

5 e. Federal failed to file the base rates applicable to the First Party
6 Plus program in the issuance of five policies.

7 f. Federal applied unfiled rates of classification codes in the
8 premium determination for liability coverage on six policies.

9 g. Federal failed to apply filed rates in the premium determination of
10 five policies.

11 h. Federal failed to apply filed rates and factors in the premium
12 determination of five policies.

13 i. Federal failed to provide documentation for the calculation of the
14 blanket average rates for property coverage on 12 policies.

15 j. Federal failed to include factors applicable to the premium
16 determination for property coverage on the rating worksheets on three policies.

17 10. The Examiners reviewed 52 umbrella policies issued by the Company
18 during the time frame of the examination and found that Federal failed to countersign
19 or include a countersignature endorsement signed by a licensed Arizona agent on 43
20 policies.

21 11. The Examiners reviewed 50 commercial policies that were canceled by
22 the Company during the time frame of the examination and found that Federal failed to
23 provide any documentation in the form of a Notice of Cancellation or other records to
24 support the reasons for the cancellations of 17 policies.
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1 12. The Examiners reviewed 50 commercial policies that were nonrenewed
2 by the Company during the time frame of the examination and found as follows:

3 a. Federal failed to provide any documentation in the form of a
4 Notice of Nonrenewal or other records to support the reasons for the nonrenewal of 12
5 policies.

6 b. Federal failed to issue a Notice of Nonrenewal 60 days prior to the
7 expiration of two policies.

8 c. Failed to issue a Notice of Nonrenewal on four policies.

9 13. The Examiners reviewed 50 Masterpiece personal automobile policies
10 issued by the Company during the time frame of the examination and found that
11 Federal failed to apply its anti-lock braking system credit and its air bag credit in the
12 issuance of three personal policies.

13 14. The Examiners reviewed a second sample of 50 Masterpiece personal
14 automobile policies issued by the Company during the time frame of the examination
15 and found that Federal applied an accident surcharge in the premium determination of
16 three policies in which the Company had no documentation that the accidents were
17 chargeable.

18 15. The Examiners determined that Federal failed to offer the mandatory
19 minimum liability limits in the issuance of approximately 349 motor vehicle liability
20 policies that were issued by the Company during the time frame of the examination.

21 16. The Examiners determined that Federal failed to offer monthly payment
22 plans for the payment of premium for approximately 1,202 personal automobile
23 policies that were issued by the Company during the time frame of the examination.

1 17. The Examiners reviewed 50 Masterpiece homeowner policies issued by
2 the Company during the time frame of the examination and found that Federal failed to
3 include its filed fire protection factors in the issuance of 18 policies.

4 18. The Examiners reviewed 50 Masterpiece personal automobile policies
5 that were canceled by the Company at insured's request during the time frame of the
6 examination and found that Federal failed to provide the requested records in the form
7 of a lost policy release or written notification from the insured requesting cancellation
8 on five policies.

9 19. The Examiners reviewed 32 Masterpiece personal automobile policies
10 that were canceled by the Company for nonpayment of premium during the time frame
11 of the examination and found as follows:

12 a. Federal failed to issue the notices of cancellation on 12 policies
13 effective on the date mailed.

14 b. Federal failed to provide the minimum seven-day grace period in
15 the cancellation of 20 policies for nonpayment of the renewal premium by making the
16 cancellation retroactive to the renewal due date.

17 c. Federal failed to make the Notice of Cancellation on 20 policies
18 effective on the date mailed.

19 d. Federal failed to include the insured's right to complain to the
20 Director in the notice of cancellation of 32 policies.

21 20. The Examiners reviewed seven of seven Masterpiece automobile
22 policies that were nonrenewed by the Company during the time frame of the
23 examination and found that Federal nonrenewed four policies for invalid reasons.
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1 21. The Examiners reviewed 40 of 40 Masterpiece homeowner policies that
2 were nonrenewed by the Company during the time frame of the examination and
3 found as follows:

4 a. Federal failed to give the insured 30 days to remedy an identified
5 condition of premises in the nonrenewal of seven policies.

6 b. Federal failed to provide the specific facts constituting the reasons
7 for nonrenewal of seven policies.

8 c. Federal failed to provide a copy of the Notice of Nonrenewal or
9 proof of mailing for three policies.

10 22. The Examiners reviewed 50 Masterpiece homeowner policies that were
11 canceled by the Company for nonpayment of premium during the time frame of the
12 examination and found as follows:

13 a. Federal failed to give a ten-day notice of cancellation for
14 nonpayment of premium in the cancellation of 35 policies.

15 b. Federal failed to provide a minimum seven-day grace period in the
16 cancellation of two policies that included both homeowner and automobile coverages.

17 c. Federal failed to include the insured's right to complain to the
18 Director in the notice of cancellation of two policies.

19 23. The Examiners reviewed 50 Masterpiece homeowner policies that were
20 canceled by the Company at the insured's request during the time frame of the
21 examination and found that Federal failed to provide documentation that six insureds
22 requested cancellation or a Lost Policy Release.

23 24. The Examiners reviewed 20 of 20 first-party automobile total loss claims
24 that were closed by the Company during the time frame of the examination and found
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1 that Federal failed to include all sales taxes and license fees in the settlement of seven
2 claims.

3 25. The Examiners reviewed 7 of 7 third-party automobile total-loss claims
4 that were closed by the Company during the time frame of the examination and found
5 that Federal failed to include all applicable sales taxes and fees in the settlement of
6 two third-party automobile total loss claims.

7 26. The Examiners reviewed 74 workers' compensation claims that were
8 closed by the Company during the time frame of the examination and found that
9 Federal failed to make payments to two claimants for compensation retroactive to the
10 date of injury after the insured's disability continued for one week beyond the seven
11 days after the date of injury.

12 27. The Company has paid claimants for personal automobile total loss
13 settlements and workers' compensation claims a total of \$3,565.64 in restitution and
14 \$1,348.91 in interest. The Company still owes 44 policyholders premium refunds in
15 the amount of \$111,881.00, plus interest to be determined.

16 **CONCLUSIONS OF LAW**

17 1. Federal violated A.R.S. § 20-357(E) by failing to consider all eligible risks
18 for application of schedule rating, failing to send a copy of the completed schedule
19 rating worksheet to NCCI, failing to complete a loss control survey within 90 days of
20 the policy effective date, failing to apply experience rating, failing to apply increased
21 limit factors filed for Arizona, and failing to provide written notice to insureds that the
22 application of schedule rating was contingent upon the completion of a loss control
23 survey.

1 2. Federal violated A.R.S. § 20-1120 by failing to issue workers'
2 compensation policies within 90 days of the policy effective date without the Director's
3 approval.

4 3. Federal violated A.R.S. § 23-906(B) by failing to obtain a signed
5 "Employee's Notice To Reject Terms Of The Arizona Workers' Compensation Law" for
6 those employees excluded from coverage.

7 4. Federal violated A.R.S. § 23-961(F) by failing to send the Notice of
8 Arizona Workers Compensation Insurance to the Industrial Commission of Arizona for
9 the issuance and cancellation of workers' compensation policies.

10 5. Federal violated A.R.S. § 20-400.01(B) and the 1992 Consent Order by
11 failing to include documentation of experience modification factors and schedule rating
12 factors applied to the manual rates of workers' compensation policies and other
13 commercial policies.

14 6. Federal violated A.R.S. § 20-229 by failing to countersign or include a
15 countersignature endorsement signed by an Arizona licensed agent.

16 7. Federal violated A.R.S. § 20-400.01(A) and the 1992 Consent Order by
17 failing to apply experience rating according to its filed rates and rules.

18 8. Federal violated A.R.S. § 20-400.01(D) by failing to provide rating
19 worksheet for the premium determination of commercial policies, including blanket
20 average rating worksheets.

21 9. Federal violated A.R.S. § 20-385(A) and the 1992 Consent Order by
22 developing premiums for personal lines insurance policies that do not conform with its
23 filed rates and rules.

1 10. Federal violated A.R.S. § 20-157 by failing to provide requested records
2 including Notices of Cancellation and Notices of Nonrenewal, and documentation of
3 insureds' requests for cancellation of policies.

4 11. Federal violated A.R.S. § 20-259.01(A) & (B) by failing to give written
5 notice to insureds of the options available for uninsured and underinsured motorist
6 coverages.

7 12. Federal violated A.R.S. § 20-1677(A) by failing to send a 60-day notice of
8 premium increase to insureds prior to the expiration of policies.

9 13. Federal violated A.R.S. § 20-1676(B) by failing to mail a Notice of
10 Nonrenewal 60 days prior to the expiration of policies and failing to issue Notices of
11 Nonrenewal on policies that were nonrenewed.

12 14. Federal violated A.R.S. § 20-267 by failing to offer a monthly payment
13 plan for the payment of premium for personal automobile policies.

14 15. Federal violated A.R.S. § 20-1632.01(A) by failing to provide the
15 minimum 7-day grace period in the cancellation of automobile policies for nonpayment
16 of premium.

17 16. Federal violated A.R.S. § 20-1632.01(B) by failing to issue Notices of
18 Cancellation for nonpayment of premium of automobile policies effective on the date
19 mailed and failing to include notification of the insured's right to complain to the
20 director.

21 17. Federal violated A.R.S. § 20-1631(D) by nonrenewing personal
22 automobile policies for reasons not allowed by Arizona statutes.

23 18. Federal violated A.R.S. § 20-1652(B) by failing to give 30 days to remedy
24 identified condition of premises prior to the nonrenewal of homeowner policies.

19. Federal violated A.R.S. § 20-1653(2) by failing to provide the specific facts constituting the reasons for nonrenewal of homeowner policies.

20. Federal violated A.R.S. § 20-443(1) by failing to give a 10-day notice of cancellation for nonpayment of premium as provided in the contractual provisions of its homeowner policies.

21. Federal violated A.R.S. § 20-461(A)(6), A.A.C. R20-6-801(H)(1)(b), and the 1992 Consent Order by failing to treat all insureds in a fair and equitable manner by failing to include all applicable sales taxes and license fees in the settlement of first party total-loss automobile claims.

22. Federal violated A.R.S. § 20-461(A)(6) by failing to treat all third party claimants fairly and equitably in the settlement of third party total loss claims by paying sales taxes and fees to some third party claimants and not to other third party claimants.

23. Federal violated A.R.S. § 20-266 by failing to make available to insureds of six or fewer automobiles mandatory minimum liability limits.

24. Grounds exist for the entry of the following Order in accordance with A.R.S. §§ 20-220 and 20-456.

ORDER

IT IS HEREBY ORDERED THAT:

1. Federal shall cease and desist from committing the following practices:

a. Failing to comply with the Schedule Rating Rules as filed by NCCI to consider all risks eligible for schedule rating, sending a copy of the schedule rating worksheet to NCCI, completing a loss control survey within 90 days of the policy effective date on schedule-rated risks, applying filed increased limit factors, and failing to provide written notice to insureds that application of schedule rating is contingent

1 upon the completion of a loss control survey, in the issuance of workers compensation
2 policies;

3 b. Failing to issue workers' compensation policies within 90 days of
4 the policy effective date;

5 c. Failing to obtain a signed "Employee's Notice To Reject Terms Of
6 The Arizona Workers' Compensation Law" for those employees who elect to be
7 excluded from coverage;

8 d. Failing to send the Notice of Arizona Workers Compensation
9 Insurance to the Industrial Commission of Arizona for the issuance and cancellation of
10 workers' compensation policies;

11 e. Failing to include documentation supporting experience
12 modification factors and schedule rating factors applied to the manual rates of workers'
13 compensation policies and applied other commercial lines policies;

14 f. Failing to countersign or include a countersignature endorsement
15 signed by an Arizona licensed agents;

16 g. Failing to apply experience rating according to its filing, applying
17 incorrect territory codes, applying incorrect primary and secondary factors, failing to
18 apply its filed fleet factors, applying incorrect package modifiers, and applying incorrect
19 rates in the issuance of commercial automobile and other commercial lines policies;

20 h. Failing to provide rating worksheets including blanket average
21 rating worksheets for the premium determination of commercial lines policies;

22 i. Applying unfiled debit factors, unfiled loss rating plans, unfiled
23 rates for fiduciary coverage, unfiled rates for Community Association Liability policies,
24 unfiled rates for Association Liability policies, unfiled "A" rates, unfiled base rates for
25 First Party Plus policies, unfiled rating tiers and comprehensive and collision rating

1 factors for Masterpiece policies, applying incorrect driver risk factors, failing to file its
2 procedure for applying anti-lock braking system and air bag credits, failing to file its
3 procedure to applying expense fees, failing to comply with its filing for applying
4 accident surcharges, and failing to include its homeowner fire protection factors in the
5 filing of its Masterpiece manual pages;

6 j. Failing to provide requested records including Notices of
7 Cancellation and Notices of Nonrenewal, and documentation of insureds' requests for
8 cancellation of policies;

9 k. Failing to provide written notice to insureds of the options available
10 for uninsured and underinsured motorists coverages;

11 l. Failing to provide the minimum 7-day grace period in the
12 cancellation of automobile policies for nonpayment of premium;

13 m. Failing to issue Notice of Cancellation for nonpayment of premium
14 of personal automobile policies effective on the date mailed and failing to include
15 notification of the insured's right to complaint to the director;

16 n. Canceling personal automobile policies which have been in effect
17 for more than 60 days for reasons other than as provided by statute;

18 o. Failing to give 30 days in which to remedy identified condition prior
19 to the nonrenewal of homeowner policies;

20 p. Failing to provide the specific facts constituting the reasons for the
21 nonrenewal of homeowner policies;

22 q. Failing to give 30-days notice of intent to nonrenew homeowner
23 policies;

24 r. Failing to comply with the contractual provisions of its homeowner
25 policies by failing to give a 10-day notice of cancellation for nonpayment of premium;

1 s. Failing to treat all insureds in a fair and equitable manner by
2 including all applicable sales taxes and license fees in the settlement of first party total-
3 loss personal automobile claims;

4 t. Failing to treat insureds in a fair and equitable manner by paying
5 sales taxes and license fees to some third party total loss claimants and not paying
6 sales taxes and fees to other third party total loss claimants.

7 u. Failing to offer mandatory minimum liability limits on personal
8 automobile policies.

9 2. Within 90 days of the filed date of this Order, Federal shall submit to the
10 Arizona Department of Insurance, for approval, evidence that corrections have been
11 implemented and communicated to the appropriate personnel, regarding all of the
12 items listed above in the Paragraph 1 of the Order section of this Consent Order.
13 Evidence of corrective action and communication thereof includes, but is not limited to,
14 memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and
15 training materials.

16 3. Within 90 days of the filed date of this Order, Federal shall refund the
17 additional monies in the amount of \$111,881.00, plus interest at the rate of ten per
18 cent per annum, due the insureds listed in Exhibit A of this Order. Interest shall be
19 calculated from the date of the premium payment to the date of the refund.

20 4. Each payment made pursuant to paragraph 3 above shall include a letter
21 of explanation to the insured in a form a that is previously approved by the Director. A
22 list of payments, giving the policy number, name, address, and zip code of each party
23 paid, the refund amount, and the date of payment, shall be provided to the Department
24 within 90 days of the filed date of this Order.

5. The Department shall be permitted, through authorized representatives, to verify that Federal has complied with all provisions of this Order.

6. Federal shall pay a civil penalty of \$55,000 to the Director for deposit in the State General Fund in accordance with A.R.S. §§ 20-220(B) and 20-456. The civil penalty shall be provided to the Market Conduct Examinations Section of the Department prior to the filing of this Order.

7. The Report of Examination of the Market Conduct Affairs of Federal Insurance Company as of November 18, 1998, including the letter submitted in response to the Report of Examination, shall be filed with the Department after the Director has filed this Order.

DATED at Phoenix, Arizona this 15th day of June, 2001.

Charles

Charles R. Cohen
Director of Insurance

EXHIBIT A

Workers' Compensation Premium Refunds

Policy Number	Amount Due Insured
7021-9998	\$388.00
7160-5861	\$82.00
7160-9299	\$1,544.00
7161-3669	\$103.00
7161-6757	\$119.00
7162-4397	\$398.00
7162-8223	\$287.00
7163-0677	\$496.00
7163-2588	\$6,593.00
7163-4418	\$85.00
7163-6457	\$148.00
7163-7283	\$6,511.00
7163-8074	\$13,115.00
7164-0296	\$126.00
7164-0640	\$197.00
7164-1039	\$1,857.00
7164-3320	\$69.00
7164-5655	\$854.00
TOTAL	\$32,972.00

Commercial Automobile Premium Refunds

Policy Number	Amount Due Insured
7315-9521	\$1,650.00
7319-6190	\$1,568.00
7320-6997	\$3,014.00
7321-0131	\$365.00
7322-8081	\$2,332.00
7323-1097	\$8,368.00
7323-1187	\$1,650.00
7323-3196	\$932.00
TOTAL	\$19,879.00

Commercial Liability Premium Refunds

Policy Number	Amount Due Insured
7319-9850	\$9,862.00
8131-9024	\$5,418.00
8131-9026	\$13,977.00

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8137-4963	\$4,233.00
TOTAL	\$33,490.00

EXHIBIT A
(Continued)

Package Premium Refunds

Policy Number	Amount Due Insured
0005-2184	\$113.00
3523-4697	\$5,308.00
3525-6702	\$816.00
3529-1794	\$1,505.00
3533-9128	\$24.00
3534-3735	\$802.00
3535-4234	\$306.00
3537-6032	\$14,497.00
TOTAL	\$23,371.00

Masterpiece Automobile Premium Refunds

Policy Number	Amount Due Insured
11119296-02	\$242.00
11282882-04	\$180.00
11359490-05	\$242.00
11451875-01	\$305.00
1133-4395-02	\$400.00
1130-7865-05	\$800.00
TOTAL	\$2169.00

Total Due to Federal Insureds **\$111,881.00**

CONSENT TO ORDER

1. Federal Insurance Company has reviewed the foregoing Order.

2. Federal Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. Federal Insurance Company is aware of the right to a hearing, at which it may be represented by counsel, present evidence, and cross-examine witnesses. Federal Insurance Company irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.

4. Federal Insurance Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

5. Federal Insurance Company acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Amelia C. Lynch, who holds the office of Vice President of Federal Insurance Company, is authorized to enter into this Order for it and on its behalf.

FEDERAL INSURANCE COMPANY

June 4, 2001
Date

By Amelia C. Lynch

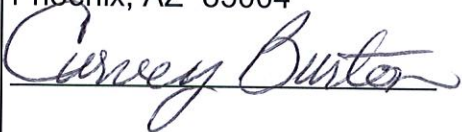
1 **COPY of the foregoing mailed/delivered**

2 **This** 18th **day of** June, 2001, **to:**

3
4 Sara Begley
5 Deputy Director
6 Mary Butterfield
7 Assistant Director
8 Consumer Affairs Division
9 Paul J. Hogan
10 Chief Market Conduct Examiner
11 Deloris E. Williamson
12 Assistant Director
13 Rates & Regulations Division
14 Steve Ferguson
15 Assistant Director
16 Financial Affairs Division
17 Nancy Howse
18 Chief Financial Examiner
19 Alexandra Shafer
20 Assistant Director
21 Life & Health Division
22 Terry L Cooper
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